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David M. Warren
655 Oakland Ave.
Cedarhurst, NY 11516

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EXAMINER

JOHNSON, GREGORY L

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte MARC S. WARREN

Appeal 2010-000815
Application 10/728,488
Technology Center 3600

Before HUBERT C. LORIN, ANTON W. FETTING, and
JOSEPH A. FISCHETTI, *Administrative Patent Judges*.

LORIN, *Administrative Patent Judge*.

DECISION ON APPEAL¹

¹ The two-month time period for filing an appeal or commencing a civil action, as recited in 37 C.F.R. § 1.304, or for filing a request for rehearing, as recited in 37 C.F.R. § 41.52, begins to run from the “MAIL DATE” (paper delivery mode) or the “NOTIFICATION DATE” (electronic delivery mode) shown on the PTOL-90A cover letter attached to this decision.

STATEMENT OF THE CASE

Marc S. Warren (Appellant) seeks our review under 35 U.S.C. § 134 (2010) of the final rejection of claims 1-7 and 9-12. We have jurisdiction under 35 U.S.C. § 6(b) (2010).

SUMMARY OF DECISION

We AFFIRM and enter a NEW GROUND of rejection pursuant to 37 C.F.R. 41.50(b).²

THE INVENTION

This invention is “a method of distribution and management of interest in a property or security among a group of investors.” Specification 1:4-6.

Claim 1, reproduced below, is illustrative of the subject matter on appeal.

1. A method for managing the assets of holders of rights in a property, comprising the steps of:
 acquiring shares of ownership in a property represented by a security and issued by a business enterprise, the shares of ownership being acquired by an administrator, wherein each of the shares constitutes a set of rights, wherein an individual one of the rights in the set of rights is a different kind of right from another one of the rights in the set of rights, there being at least two different

² Our decision will make reference to the Appellant’s Appeal Brief (“Br.,” filed Apr. 8, 2009) and the Examiner’s Answer (“Answer,” mailed Jul. 22, 2009).

kinds of rights in the set of rights, said individual right comprising at least one of an equity right, a non-equity right, a right to receive a dividend or portion of the dividend, a right to receive an interest payment or portion thereof, a right to receive rent, a right to real property, a right to a warrant, a right to a stock split, a right to conversion between classes of securities, a residual right, a voting right, a right to receive capital appreciation, and wherein one or more of said rights may have a time limitation;

dividing the set of rights into portions by the administrator, each of the portions having at least one of the rights, wherein a kind of right that is present in a first of the portions is absent in a second of the portions; and

establishing a market in the portions by the administrator, wherein in said market, there is a selling of the portions to investors and a repurchasing of the portions from the investors, said repurchasing enabling a holder of one of said portions to regain a divided-out right from one of said investors.

THE REJECTIONS

The Examiner relies upon the following as evidence of unpatentability:

Earle	US 5,262,942	Nov. 16, 1993
Wohlstadter	US 2002/0198833 A1	Dec. 26, 2002
Wallman	US 6,601,044 B1	Jul. 29, 2003
Brisbois	US 2004/0267647 A1	Dec. 30, 2004
Changanti	US 2005/0080705 A1	Apr. 14, 2005

Tripp	US 2007/0027787 A1	Feb. 1, 2007
Sugahara	US 7,310,616 B2	Dec. 18, 2007

Barron's Dictionary of Finance and Investment Terms 639 (6th ed. 2003) [Hereinafter, Barron's].

The following rejections are before us for review:

1. Claims 1-7 and 9-12 are rejected under 35 U.S.C. §101 as being directed to non-statutory subject matter.
2. Claims 1-4 and 12 are rejected under 35 U.S.C. §103(a) as being unpatentable over Wohlstadter, Chaganti, Brisbois, Tripp, and Barron's.
3. Claims 5-7 and 11 are rejected under 35 U.S.C. §103(a) as being unpatentable over Wohlstadter, Chaganti, Brisbois, Tripp, Barron's, and Sugahara.
4. Claim 9 is rejected under 35 U.S.C. §103(a) as being unpatentable over Wohlstadter, Chaganti, Brisbois, Tripp, Barron's, and Earle.
5. Claim 10 is rejected under 35 U.S.C. §103(a) as being unpatentable over Wohlstadter, Chaganti, Brisbois, Tripp, Barron's, and Wallman.

ISSUES

The first issue is whether claims 1-7 and 9-12 are directed to non-statutory subject matter under 35 U.S.C. § 101.

The second issue is whether claims 1-4 and 12 are unpatentable under 35 U.S.C. §103(a) over Wohlstadter, Chaganti, Brisbois, Tripp, and Barron's.

The third issue is whether claims 5-7 and 11 are unpatentable under 35 U.S.C. §103(a) over Wohlstadter, Chaganti, Brisbois, Tripp, Barron's, and Sugahara.

The fourth issue is whether claim 9 is unpatentable under 35 U.S.C. §103(a) as being unpatentable over Wohlstadter, Chaganti, Brisbois, Tripp, Barron's, and Earle.

The fifth issue is whether claim 10 is unpatentable under 35 U.S.C. §103(a) over Wohlstadter, Chaganti, Brisbois, Tripp, Barron's, and Wallman.

ANALYSIS

The rejection of claims 1-7 and 9-12 under 35 U.S.C. §101 as being directed to non-statutory subject matter.

The Appellant and the Examiner dispute whether claim 1 is directed to statutory subject matter under § 101. Br.3-5 and Answer 17-19.

We find that claims 1-7 and 9-12 are drawn to non-statutory subject matter as they encompass an abstract idea. The law in the area of patent-eligible subject matter for process claims has recently been clarified by the Supreme Court in *Bilski v. Kappos*, 130 S.Ct. 3218, No. 08-964, 2010 WL 2555192 (U.S. June 28, 2010). The Court held that the term "process" as used in 35 U.S.C. § 101, does not categorically exclude business methods. *Bilski*, 130 S.Ct. at 3228-3229.

The Court is unaware of any argument that the "ordinary, contemporary, common meaning," *Diehr, supra*, at 182, 101 S.Ct. 1048, of "method" excludes business methods. Nor is it clear what a business method exception would sweep in and

whether it would exclude technologies for
conducting a business more efficiently.
Bilski, 130 S. Ct. at 3222.

“At the same time, some business method patents raise special
problems in terms of vagueness and suspect validity.” *Bilski*, 130 S. Ct. at
3229. (*citing eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 397
(2006))(Kennedy, J., concurring).

In searching for a limiting principle, this Court's
precedents on the unpatentability of abstract ideas
provide useful tools. See *infra*, at 12-15. Indeed, if
the Court of Appeals were to succeed in defining a
narrower category or class of patent applications
that claim to instruct how business should be
conducted, and then rule that the category is
unpatentable because, for instance, it represents an
attempt to patent abstract ideas, this conclusion
might well be in accord with controlling precedent.
Bilski, 130 S.Ct. at 3229 (2010).

Claims 1-7 and 9-12 are drawn to business methods. Taking claim 1
as representative, the broadest reasonable construction of the claimed
process in light of the Specification as it would be interpreted by one of
ordinary skill in the art is that it provides a series of instructions that do no
more than instruct an administrator to acquire shares of ownership in a
property, where each share constitutes a set of rights, divide the set of rights
into portions, and establish a market in the portions. The claim encompasses
any use of the concept of an administrator to acquiring shares of ownership
in a property, where each share constitutes a set of rights, dividing the set of
rights into portions, and establishing a market in the portions.

We now turn to the question of whether the claimed process subject matter is patent-eligible under 35 U.S.C. § 101. Various factors must be considered and weighed when analyzing claims as a whole before reaching a conclusion on patent subject matter eligibility.

The factors relevant in this case are the lack of an express or implied recitation in the claims to a particular machine or transformation and that the claims are a mere statement of a general concept.

Claim 1 does not contain any express or implied recitation of a particular machine. *See* Br. 18 (“[p]resent claims 1 and 12 do not recite a computer “).

Claim 1 also does not contain any express or implied transformation of a particular article. As to the Appellant’s argument that claim 1 recites a transformation of a security, which is an article (Br. 19-20), a security is not an article.

The Supreme Court has defined “manufacture” (in its verb form) as “the production of *articles* for use from raw or prepared materials by giving these materials new forms, qualities, properties, or combinations, whether by hand-labor or by machinery.” *Diamond v. Chakrabarty*, 447 U.S. 303, 308 (1980)(emphasis added)(quoting *Am. Fruit Growers, Inc. v. Brogdex Co.*, 283 U.S. 1, 11 (1931)). The term is used in the status in its non form, *Bayer AG v. Housey Pharms., Inc.*, 340 F.3d 1367, 1373 (Fed. Circ. 2003), and therefore refers to “articles” resulting from the process of manufacture. The same dictionary the Supreme Court relied on for its definition of “manufacture” in turn defines “article” as “a particular substance or commodity: as, an *article* of merchandise; and *article* of clothing; salt is a necessary *article*.” 1

Century Dictionary 326 (Willam Dwight Whiney
ed., 1895)(emphasis in original).

In re Nuijten, 500 F.3d 1346, 1356 (Fed. Cir. 2007). “[A]rtificiality is
insufficient by itself to render something a ‘manufacutre.’” *Id.* at 1356.

As we have reasonably broadly construed it, the subject matter of
claim 1 is a series of instructions for an administrator to acquiring shares of
ownership in a property, where each share constitutes a set of rights,
dividing the set of rights into portions, and establishing a market in the
portions. The vague instructions listed in the claim do no more than instruct
how business should be conducted; that is for an administrator to acquiring
shares of ownership in a property, where each share constitutes a set of
rights, dividing the set of rights into portions, and establishing a market in
the portions. The claim covers any use of this concept. In the words of
Gottschalk v. Benson, 409 U.S. 63, 72 (1972), the claimed process “would
wholly pre-empt the [concept of an administrator acquiring shares of
ownership in a property, where each share constitutes a set of rights,
dividing the set of rights into portions, and establishing a market in the
portions] and in practical effect would be a patent on the [concept] itself.”

For the foregoing reasons, based upon consideration of all the relevant
factors with respect to claims 1-7 and 9-13 as a whole, claims 1-7 and 9-13
are held to claim an abstract idea and are therefore rejected as ineligible
subject matter under 35 U.S. C § 101. Since our reasoning in finding claims
1-7 and 9-13 direct to non-statutory subject matter under § 101 differs from
that of the Examiner, we reverse the Examiner’s rejection and designate our
reasoning above as a new ground of rejection.

The rejection of claims 1-4 and 12 under 35 U.S.C. §103(a) as being unpatentable over Wohlstadter, Chaganti, Brisbois, Tripp, and Barron's.

The Appellant argues claims 1-4 and 12 as a group. Br. 20-26. We select claim 1 as the representative claim for this group, and the remaining claims 2-4 stand or fall with claim 1. 37 C.F.R. § 41.37(c)(1)(vii) (2010).

The Appellant reproduces passages from the cited prior art that the Examiner cited in support of the rejection. Br. 20-23. Then the Appellant concludes, “[b]ut there does not appear to be any teaching in any one of the references that teaches or even suggests the presently claimed subject matter. There is no overriding theme in any of the references to show the general concept of the presently claimed invention, and therefore, there can be no motivation to combine the references.” Br. 23.

In as much as the Appellant may be arguing that the references themselves do not contain a motivation or suggestion to combine the prior art, the Appellant is arguing an overly-strict standard of obviousness. “The obviousness analysis cannot be confined by a formalistic conception of the works teaching, suggestion, and motivation, or by overemphasis on the importance of published articles and the explicit content of issued patents.” *KSR Int’l Co. v. Teleflex Inc.*, 550 US 398, 419 (2007). “As our precedents make clear, however, the analysis need not seek out precise teachings directed to the specific subject matter of the challenged claims, for a court can take account of the inferences and creative steps that a person of ordinary skill in the art would employ.” *KSR Int’l Co.*, 550 U.S. at 418.

Further, the Appellant’s argument does not address the combination made by the Examiner. For example, the Appellant argues that “[t]here is no mention, suggestion, or teaching by Wohlstadter of the division of the set of

rights embodied in a security into one or more of the rights, representing a fraction or portion of the rights embodied by the security, followed by the establishment of a market.” Br. 24. However, Tripp was cited in the rejection to teach dividing the set of rights into portions by the Administrator and establishing a market in the portions by the administrator. Answer 6-7. *See also* Answer 19-20. The Examiner reasons that the combination of the teachings of Wohlstadter and Tripp would be nothing more than the combination of old elements that would perform the same function as they did separately and reasons that the result of the combination would be predictable. Answer 7.

The Supreme Court emphasized that “the principles laid down in *Graham* reaffirmed the ‘functional approach’ of *Hotchkiss*, 11 How. 248.” *KSR*, 550 U.S. at 415. (citing *Graham*, 383 U.S. at 12 (emphasis added)), and reaffirmed principles based on its precedent that “[t]he combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results.” *KSR*, 550 U.S. at 416. The operative question in this “functional approach” is “whether the improvement is more than the predictable use of prior art elements according to their established functions.” *KSR*, 550 U.S. at 417.

The Appellant’s argument does not address whether the improvement is more than the predictable use of prior art elements according to their established functions. The Appellant’s argument does not address the Examiner’s rationale in finding that the combination of prior art renders the method of claim 1 obvious.

The Examiner has established a prima facie showing of obviousness, which the Appellant has not overcome. Accordingly, we find that the

Appellant has not overcome the rejection of claims 1 and 12, and claims 2-4, dependent thereon, under 35 U.S.C. § 103(a) over Wohlstadter, Chaganti, Brisbois, Tripp, and Barron's.

The rejection of claims 5-7 and 11 under 35 U.S.C. §103(a) as being unpatentable over Wohlstadter, Chaganti, Brisbois, Tripp, Barron's, and Sugahara.

The Appellant argues claims 5-7 and 11 as a group. Br. 26. We select claim 5 as the representative claim for this group, and the remaining claims 6, 7, and 11 stand or fall with claim 5. 37 C.F.R. § 41.37(c)(1)(vii) (2010).

To traverse the rejection of claim 5, the Appellant asserts that: "The fact that Sugahara can provide for a repurchasing feature does not show such a feature would be incorporated advantageously in claim 1 in combination with the teachings of all the other cited references. Thus, there is no motivation to combine the references." Br. 26.

The Appellant's argument with respect to these claims simply state, that there is no motivation to combine the references – without responding to the Examiner's reasoning in establishing a prima facie case of obviousness (*see* Answer 10-11). "It is not the function of this court to examine the claims in greater detail than argued by an appellant, looking for nonobvious distinctions over the prior art." *In re Baxter Travenol Labs*, 952 F.2d 388, 391 (Fed. Cir. 1991). See also *In re Wiseman*, 596 F.2d 1019, 1022 (CCPA 1979) (arguments must first be presented to the board).

The Examiner has established a prima facie showing of obviousness, which the Appellant has not overcome. Accordingly, we find that the Appellant has not overcome the rejection of claims 5-7 and 11 under 35

U.S.C. § 103(a) over Wohlstadter, Chaganti, Brisbois, Tripp, Barron's, and Sugahara.

The rejection of claim 9 under 35 U.S.C. §103(a) as being unpatentable over Wohlstadter, Chaganti, Brisbois, Tripp, Barron's, and Earle.

To traverse the rejection of claim 9, the Appellant argues: "The fact that Earle can provide for a feature of disbursing dividends does not show how such a feature would be incorporated advantageously in claim 1 in combination with the teachings of all the other cited references. Thus, there is no motivation to combine the references." Br. 26-27.

For the same reason as discussed above with regards to claim 5, we find the Appellant's argument unpersuasive. The Examiner has established a prima facie showing of obviousness (*see* Answer 12-13), which the Appellant has not overcome. Accordingly, we find that the Appellant has not overcome the rejection of claim 9 under 35 U.S.C. § 103(a) over Wohlstadter, Chaganti, Brisbois, Tripp, Barron's, and Earle.

The rejection of claim 10 under 35 U.S.C. §103(a) as being unpatentable over Wohlstadter, Chaganti, Brisbois, Tripp, Barron's, and Wallman.

To traverse the rejection of claim 10, the Appellant argues: "The fact that Wallman can provide for a feature of handling the voting rights does not show how such a feature would be incorporated advantageously in claim 1 in combination with the teachings of all the other cited references. Thus, there is no motivation to combine the references." Br. 27.

For the same reason as discussed above with regards to claim 5, we find the Appellant's argument unpersuasive. The Examiner has established

a prima facie showing of obviousness (*see* Answer 13-14), which the Appellant has not overcome. Accordingly, we find that the Appellant has not overcome the rejection of claim 10 under 35 U.S.C. § 103(a) over Wohlstadter, Chaganti, Brisbois, Tripp, Barron's, and Wallman.

DECISION

The decision of the Examiner to reject claims 1-7 and 9-12 is affirmed.

This decision contains a new ground of rejection pursuant to 37 C.F.R. § 41.50(b) (effective September 13, 2004, 69 Fed. Reg. 49960 (August 12, 2004), 1286 Off. Gaz. Pat. Office 21 (September 7, 2004)). 37 C.F.R. § 41.50(b) provides “[a] new ground of rejection pursuant to this paragraph shall not be considered final for judicial review.”

37 C.F.R. § 41.50(b) also provides that the Appellant, **WITHIN TWO MONTHS FROM THE DATE OF THE DECISION**, must exercise one of the following two options with respect to the new ground of rejection to avoid termination of the appeal as to the rejected claims:

- (1) Reopen prosecution. Submit an appropriate amendment of the claims so rejected or new evidence relating to the claims so rejected, or both, and have the matter reconsidered by the examiner, in which event the proceeding will be remanded to the examiner
- (2) Request rehearing. Request that the proceeding be reheard under § 41.52 by the Board upon the same record

Appeal 2010-000815
Application 10/728,488

AFFIRMED; 37 C.F.R. § 41.50(b)

MP

David M. Warren
655 Oakland Ave.
Cedarhurst NY 11516